Organic Dairy, Poultry, and Eggs

Market Reviews and Competitive Analyses

Prepared for:

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Introduction
It is well known in the food industry that organic foods have become an increasingly important part of the American consumer's diet. The recent incorporation of organic foods by mainstream supermarkets; the abundance of new organic products—from frozen juices to heat-and-eat meals; and the recent development and pending implementation of federal organic standards and labeling requirements by the USDA, all confirm the fact that organic foods are on the rise. In light of this, several industry groups and research firms have conducted detailed studies in recent years with the intention of answering one question: *What drives the organic consumer?* The answer is complex and ever-changing as organic food consumption continues to grow into the mainstream. In spite of this complexity, however, a number of factors have been identified that provide meaningful insight on the driving forces behind the growth in organic consumption.

According to the Organic Trade Association, retail sales of organic products have grown steadily for the past ten years, showing a compounded annual growth rate of 22.74% from 1991-2001. Sales in 2001 were over $9 billion and OTA projects that annual sales will reach $11 billion in 2002 and $20 billion by 2005.

Newsweek reported in its September 30, 2002 issue that although organics represent less than 2% of the nation's food supply, nearly 40% of consumers buy organic food at least occasionally. With the U.S. Department of Agriculture's new National Organic Program going into effect in October of 2002, the supermarket industry expects to see increased growth in this area from consumers who previously were unsure of what the word "organic" meant.

These new standards are likely to encourage shoppers who had previously never tried organics to do so. This will have ripple effects in the conventional marketplace. Observers expect retail organic prices to fall somewhat as conventional manufacturers enter the market. Supermarkets will increasingly integrate organic products into mainstream aisles rather than segregating them as they previously did. These developments mean that organics will increasingly become part of the average shopper's experience, no doubt leading to higher sales.

When most people think of organics, they think of fruits and vegetables. Although this category remains an important part of overall organic sales, other categories are growing at faster rates.

The market research firm Datamonitor reported that produce represented about 65% of organic sales in 1998 but is expected to account for only 40% in 2002. Fruits and vegetables are growing at about 8% per year, while overall organic sales exceed that rate by a considerable margin.

For example, dairy—including eggs—was among the fastest growing organic categories during the 1990's, showing 500% growth between 1994 and 1999.

Market Overview
To set the stage for an understanding of the organic consumer, it is useful to look at the context in which organic consumption is taking place in the United States.

The fact that retail sales of organic foods topped $9 billion in 2001 marks a continuation of the tremendous growth the organic food industry has seen over the last several years. The Nutrition Business Journal's *Organic Foods Report 2001* reports that in 2000, the organic market reached sales of $7.8 billion, up 20% from 1999 sales of $6.5 billion. The 20% annual growth rate is consistent with the rate seen from 1996 onward. Most industry research firms foresee this explosive upward trend continuing, with organic sales expected to reach $20 billion by 2005, reaching 40% of U.S. households—a fourfold increase from today—and occupying nearly three-fourths of the entire health and natural food industry. As German Munoz notes in the January 2001 issue of *Natural Merchandiser,* the 20% annual growth compares favorably with the 10% growth seen in natural foods and the 2 to 2.5% growth in conventional foods.

This rapid growth in recent years is attributed largely to the increased distribution of organic products to mass markets and natural food supermarkets, which now account for almost half of organic sales. Additional factors include increasingly competitive prices; new concerns among consumers over food-borne illnesses such as mad cow disease; continuing growth of existing natural and organic companies; advertising campaigns; and increased availability of organic ingredients and supplies to manufacturers.

In spite of this tremendous recent growth, the organic industry remains a small segment of the overall food industry, with Americans spending $460 billion annually on conventionally grown and processed foods. And while about half of organic sales are now made in supermarkets, these sales represented only 1% of all supermarket sales in 2000, according to Barry Janoff in the April 30, 2001 issue of *Brandweek*. This suggests that with regards to the organic industry, there is still plenty of room to grow.

In light of this, it is particularly important to consider the virtual absence of large-scale food marketers and manufacturers in the organic industry to this point. The manufacturers and marketers that have driven and developed the industry thus far have had relatively small budgets for advertising and marketing campaigns, achieving 20% annual growth by relying heavily on shelf-presence and very limited advertising. Typically, there is little brand recognition among organic consumers. In a survey conducted by the Hartman Group, 81% of organic shoppers could not name a single organic brand, Janoff notes. How the entry of large-scale marketers such as Heinz, General Mills, and Kellogg will affect this as they begin to apply their resources into marketing campaigns is yet to be determined, but is being watched carefully throughout the industry.

Market Demographics

Who is shopping organic?

According to the Nutrition Business Journal (NBJ), 43% of the general population used organic foods in the past year. However, the organic industry is driven by a fairly small, committed consumer base. The large recent growth is attributed largely to increased purchasing by already committed customers more than recruitment of new customers. Overall, Americans spend $460 billion a year on conventional foods. The goal of the organic industry is to try to tap more into the mainstream market, while retaining patronage of loyal customers. Toward this end, developing consumer awareness is critical. Those consumers who actively pursue knowledge about organic foods are, understandably, the ones most likely to purchase organic foods. While this point may seem like a truism, it comes to the fore when considering the effect that marketing campaigns, particularly those undertaken by large companies with large budgets, can have on consumer preferences. The depiction of organic as a cultural norm will tend to encourage its acceptance as such. In addition, the perception of organic food as safer and more healthy is increasing with concerns over personal health-related issues such as pesticide residues, growth hormones, genetically modified organisms, and mad cow disease. Indeed, according to NBJ, in the U.S. and Europe "the primary common denominator for buying organic food is consumers associate it with better health and food safety."

Organic food consumption can be part of a much broader lifestyle that includes environmental and social as well as personal health concerns, or it can be part of an infrequent or noncommittal buying pattern based more on price and availability than organic per se. Natural Business Communications and the Natural Marketing Institute look at organic consumption as part of a much broader cultural phenomenon, which they term LOHAS, or Lifestyles of Health and Sustainability. As described on the website of *Lohas Journal*, these lifestyles place a high value on the "environment, human rights, sustainability of natural resources, community development, fair trade, and spiritual and personal development." The Hartman Group's study, *The World of Organics: Segmentation and Demographics*, identifies five classes of organic shoppers, ranging from casual purchasers whose choices are determined by price and convenience to committed purchasers for whom buying organic is part of a lifestyle incorporating a broad understanding of the political and environmental aspects of purchasing organic.

Citing Roper Starch Worldwide's March 2001 Report—*Walnut Acres Certified Organic Future*—NBJ indicates that 57% of Americans label themselves as either true believers or dabblers with organic.

The Hartman Group's *Organic Lifestyle Shopper Study* divides organic consumers into three groups:

- The Core group, representing 6% of organic consumers, believes in the importance of buying organic and knows and cares about how food affects both personal health and the environment;
- The Mid-level group, representing 35%, becomes increasingly motivated to buy organic as awareness increases;

- The Periphery group, accounting for the remaining 59%, doesn't know much about the processes involved with organic production, and typically purchases organic products on recommendations from friends or for the price.

Rodale finds three demographic factors that have a particular influence on organic purchasing: age, income, and education. Interestingly, younger Americans are more likely than older Americans to purchase organic, with 52% of adults 18-25 being organic consumers while only 37% of adults over 65 are listed as such. This is particularly interesting when considering the Nutrition Business Journal's analysis of the aging baby boom generation as a major contributing factor to the increase in organic consumption, as health concerns become increasingly important. As baby boomers reach 65, it will be interesting to see what effect their health concerns have on this age bracket's participation in and endorsement of organic shopping.

The NBJ report indicates that income is another factor in the profile of the organic consumer. Forty-nine percent of all consumers with an annual household income of $50,000 or higher are organic consumers, compared to 39% with lower incomes. Similarly, with education, 48% of college graduates are organic buyers, compared with 35% of those who never attended college. Single people, couples, and parents are about equally likely to purchase organic.

In spite of these analyses of the "typical" organic consumer, it is important to bear in mind that this is a dynamic population, and as organic continues to make its way into the mainstream, the definition of the organic consumer will change. As Munoz notes in an article entitled "What's Feeding Organic Growth?" in the June 2001 issue of *Natural Foods Merchandiser*: "While the typical organic buyer most often is portrayed as female, married, college educated, concerned about health and the environment, middle-aged, having a median income of about $50,000, and willing to pay premium prices for organics, there is much to be learned about the mass-market consumer who has yet to buy organics, or has done so sporadically." This knowledge gap will become increasingly important as the mainstream market is tapped.

Why are they shopping organic?
The Nutrition Business Journal summarizes the findings of several research firms in its *Organic Foods Report 2001.* Drawing on data gathered by a variety of sources—including the Hartman Group, Roper Starch Worldwide, the Food Marketing Institute, Rodale, the Natural Marketing Institute, and others—the NBJ report provides current information on the organic consumer. As noted above, health and food safety are elemental in consumer choices around purchasing organics. In Europe and Japan, this concern is derived from concerns related to specific issues—including mad cow disease, genetically modified organisms, and pesticide residues—while in the U.S. the concern is less traceable to specific causes. A 2000 report by Organic and Natural News (ONN)—*Facts and Stats: The Year in Review*—concurred with NBJ's findings that the primary driving force behind organic food consumption is the perception that it is more nutritious and better tasting. Additional concerns, particularly outside the U.S., include issues

related to Fair Trade, environmental protection, agricultural practices, animal cruelty, and sustainable development.

Citing the Spring 2001 report from the Hartman Group--*Healthy Living: Organic and Natural Products*—the Nutrition Business Journal reports the following breakdown of organic consumer preferences:

66% are motivated by health and nutrition;
38% by taste;
30% by food safety;
26% by environmental concerns.

Seventy-nine percent of all American shoppers report concern about the safety of foods today. Children's health is considered a key issue and point of entry for organic purchases.

In spite of the many lifestyle-related factors contributing to consumer preferences, *price* and *convenience* remain the lynchpins. The ONN report states that 44% of consumers polled in a 2000 Consumer Research Network study would prefer organic foods, but only if they cost the same as conventional foods. However, in a similar poll conducted by ABC News 20/20, 49% of all respondents and 65% of organic shoppers indicated that organic food was worth the extra cost. While dairy, produce, and grain products have been a traditional point of entry for first-time organic consumers, recently, fuller flavors and convenience foods—including frozen foods, beverages, confectionery, and condiments—have made an impact in initiating people's interest. This is understandable in consideration of the ONN findings that less than 13% of consumers take the time to plan and prepare meals for their families. Thus, a segment of organics worth keeping an eye on includes convenience and ready-to-eat products, particularly as price continues to drop toward conventional prices for these items.

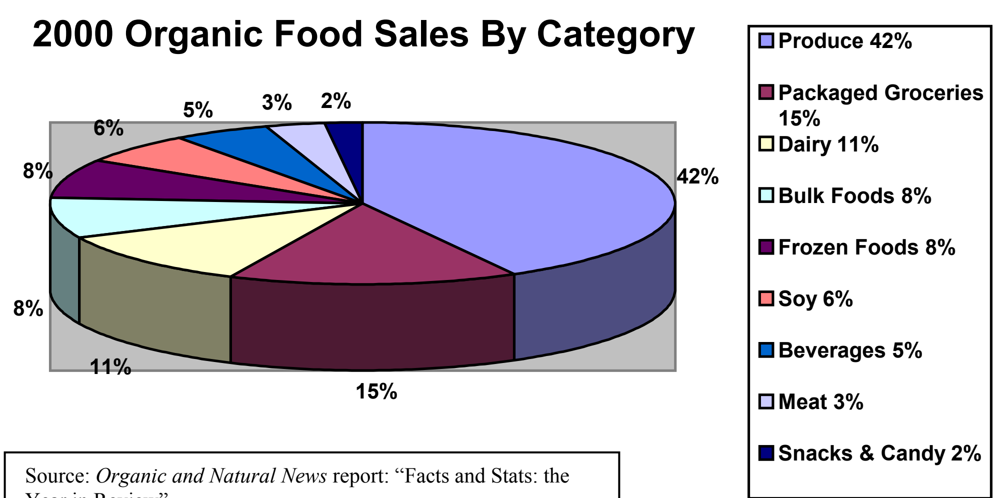
Where are they shopping?
According to the NBJ report, more than half of organic consumers bought their food at mainstream supermarkets (53%); natural food stores—including Whole Foods, Wild Oats, and smaller natural food stores—supplied 29% of shoppers; and discount stores such as Costco and Wal-Mart supplied 13% of organic shoppers, up from just 1% in 1999. Mainstream consumers are developing an increased interest in organic foods. ONN reports that mainstream supermarkets are responsible for about half of all organic products sales, with organic products available in about 73% of mainstream grocery stores and outlets.

The largest of the natural food supermarket chains, Whole Foods has well over 100 stores and about $2 billion in annual sales. They expect to have 200 stores and $4 billion in annual sales in 2003.

Internet sales of organic products in 2000 were up 111% from 1999, according to the Nutrition Marketing Institute. The e-business crash of 2000 may have had an impact on internet sales. Nonetheless, the internet shows some potential as a marketing outlet, especially as logistics and technologies improve.

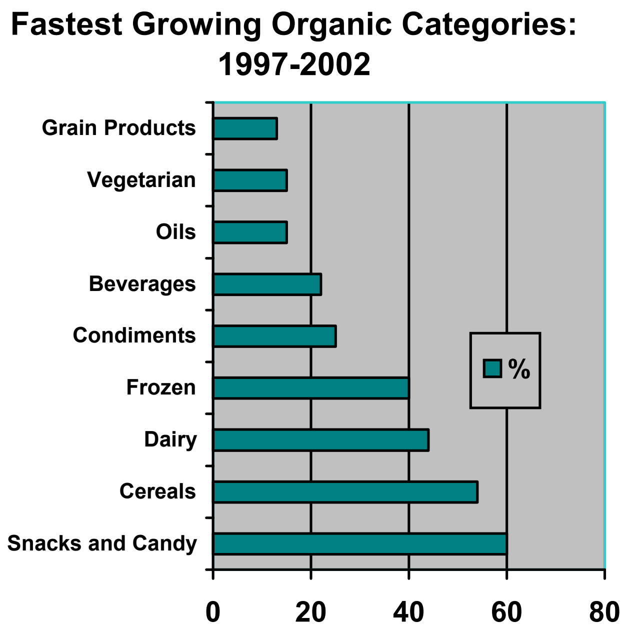
What exactly are they buying?

Of all U.S. consumers, NBJ finds that 14% say that they eat organic foods on a daily or weekly basis. Produce is far and away the leading category, though recent trends have included increased sales in convenience products, condiments, frozen yogurt, ice cream, and beverages. Ready to eat foods, prepared meals, salty snacks, and ethnic foods have also made strides.



Source: *Organic and Natural News* report: "Facts and Stats: the Year in Review"

According to Organic Style magazine, 42% of shoppers purchased at least some organic foods in 2000. Produce, cereals, grains, and pasta made up the bulk of sales, while organic eggs were the fastest gaining category of the year. Over a five year period ending in 2002, however, Snacks and Candy, Cereals, and Dairy were the fastest growers:



Source: Organic Trade Association

Summary of Key Findings

- While the organic industry has grown rapidly over the last several years, it remains only a tiny fraction of the food industry as a whole.
- To this point, the growth of the organic industry as a whole has been driven by a core group of committed consumers. A primary goal of the industry is to more effectively tap into the mainstream market.
- From a sales and marketing standpoint, the growth has been achieved without a major presence from industry giants. Their inevitable entry into organics has only just begun, and the impact of their presence on the market is yet to be determined, but is expected to be significant, particularly in developing an increased awareness of, and preference for, organic products among mainstream consumers.
- Mainstream supermarkets have become a dominant presence in organic sales, with natural foods supermarket chains also booming.
- While several factors influence organic consumers, the primary reason for purchasing organic is the perception that it is beneficial to personal health.
- Price and convenience remain critical in terms of attracting mainstream consumers.

II. Organic Dairy

Market Overview

According to the Nutrition Business Journal's *Organic Foods Report 2001*, the overall organic dairy market, which includes milk, cheese, butter, eggs, yogurt, frozen dairy/ice cream, and canned milk reached sales of $588 million in 2000. This represents a 22.5% increase from sales of $480 million in 1999. In fact, the 20% growth is a continuation of a trend that has characterized the market for the last five years: 1999 sales were up 22% from 1998 sales of $407 million, which in turn were up 18% from 1997 sales of $326 million.

The NBJ report projects organic dairy sales for the next ten years to continue to experience substantial growth, reaching $894 million in 2002 and increasing to $2.6 billion by 2010.

Of all organic dairy product sales in the U.S. in 2000:

- 59% ($344 million) took place in natural food outlets;
- 40% ($237 million) took place in mass market outlets;
- 1% ($7 million) took place in other outlets.

Organic Milk

According to the NBJ report, organic milk sales at the retail level in 2000 reached $240 million, up from $210 million in 1999. While annual growth in organic milk sales has been high, this figure represents only about one percent of the total milk sales in the U.S. As with the organic industry as a whole, organic milk appears to be far from reaching its ceiling in terms of growth potential. In fact, Horizon reports achieving 5% of the fluid milk share in its home market of Denver. The recent rise in organic milk sales is largely attributable to consumers' association with it as part of a healthy lifestyle. The 1993 FDA approval of the use of rBST, a growth hormone which has been linked to cancer, contributed to a demand from consumers for healthy dairy alternatives.

Two companies dominate organic fluid milk sales nationally, with a handful of smaller, regional companies, subsidiaries, and private labels on the periphery. Both of the dominant players, Horizon and Organic Valley/CROPP, are nationally recognized brands, developing brand loyalty among retailers and consumers. Taken together, Horizon and Organic Valley account for 90% of branded organic milk sales in the U.S. Smaller, more regionally-focused brands like Rockview in Southern California and private label retailers such as Trader Joe's make up the remainder of the market. Horizon is the market leader with about 50% of the organic fluid milk market share. With acquisitions of processors in Britain, Horizon has also established an extensive presence in the UK. Organic Valley is second in market share, but expects to overtake Horizon in domestic sales in 2002. Organic Valley has been able to compete more effectively in the mass-market since 1999 when it began ultra-pasteurization of its milk, giving it an increased shelf-life appealing to mass-market retailers.

Organic Valley's fluid milk sales rose 250% in 1999 over 1998 sales, and 116% in 2000, as a result of its introduction of ultra-pasteurized milk to mainstream markets, including Albertson's and Publix, two large supermarket chains. Wal-Mart also recently began stocking Organic Valley milk. This is an example of the power the large-scale markets can have on organic production and sales. Still, as Munoz (2001) notes, 40% of the market does not have access to organic milk, representing substantial room for continued growth.

CROPP has identified a formula for predicting organic dairy consumption and demand in a given area:
Population of the given area x Average weekly per capita expenditure for food purchased in retail stores ($35) x percentage of weekly food expenditures that are dairy products (12%) x average percentage of dairy expenditures that are organic products (0.5%-1%).

As with the organic industry at large, the development of the organic dairy industry has occurred without major participation among large-scale food marketers to this point, with some notable exceptions. Suiza Foods, a major marketer of conventional dairy with $4.5 billion in sales, is a 13% owner of Horizon. In addition, Dean Foods recently acquired Alta Dena, with $2-6 million in organic dairy sales.

With producers receiving premiums for organic milk at times substantially higher than conventional milk, the incentive for conversion to organic is high. At the same time, price per half gallon at the retail level averages around $3, which could impact sales.

Overall, there is general optimism as to the likelihood of continued growth of organic milk sales, with some analysts predicting fluid milk sales to achieve 5% of the total market share within the next five years.

Organic Cheese
Organic Cheese sales reached $50 million in 2000, less than one tenth of 1% of total U.S. cheese sales of $28 billion. The most impressive characteristic of organic cheese sales for 2000 was that they represented a 50% increase over sales for 1999. The leading organic cheese companies are Organic Valley, Horizon, and Alta Dena. Lucille Farms, which is historically a conventional cheese manufacturer, began marketing organic cheese in 2000. Unlike fluid milk, which sees the bulk of sales in mainstream supermarkets, most organic cheese is sold through the natural food retail channels. In spite of low prices for cheese, overall consumption of cheese is on the rise, particularly among specialty cheeses.

Organic Yogurt
For the year 2000, organic yogurt sales amounted to about $80 million. This represents 1.4% of the $5.92 billion yogurt market in the U.S. Sales of yogurt and kefir in natural product stores were $154.8 million for the twelve months ending February 2000 according to SPINS/ACNeilsen. This represents an increase of 7.5% over the previous 12 months.

Stoneyfield is by far the dominant company in the organic yogurt field. They claim to be growing at 25-30% annually, which is well above the industry overall growth of 8%. Stoneyfield also claims to be the #4 overall yogurt brand in the Northeast and #5 overall with a 4% share of the total U.S. yogurt market.

Organic Frozen Dairy/Ice Cream

For the year 2000, organic ice cream sales were $106 million, up from sales of $85 million in 1999. The leading brands are Cascadian Farm—a subsidiary of food giant General Mills—and Stonyfield Farm. No major brand of ice cream has produced an organic product. The overall ice cream market in the U.S. is $10 billion. Annual growth for the next four years is projected to be 27% per year.

Organic Canned Milk

This is an extremely small category with sales estimated at $2.4 million for the year 2000. This is a slight increase from 1999 when sales were $2.2 million. The projected increase for this category is 12% for the next four years.

Competitive Analysis

Horizon Organic Dairy
Headquarters: Longmont, CO
Regions operating in: Nationwide and throughout the U.K.
Products Offered:

- Milk:
  - Fat Free, Lowfat (1% Milkfat), Reduced Fat (2% Milkfat), and Whole in gallons, half-gallons and quarts
  - Lowfat Chocolate Milk in quarts
  - Half & Half and Heavy Cream in pints
- Yogurt Products:
  - A variety of yogurt flavors in 6-oz fat free and 6-oz blended lowfat, as well as plain and vanilla 24-oz fat free and whole milk yogurt.
- Cheese Products:
  - 8-oz. Bars/Rounds/Singles:
    Monterey jack, Mozzarella,
    Cheddar, reduced-fat Cheddar,
    reduced-fat American, Colby
  - 6-oz. Bags: shredded Monterey jack, shredded mozzarella, shredded Cheddar, shredded reduced fat Cheddar, shredded Mexican, Mozzarella sticks and Colby sticks (six individually-wrapped sticks)
  - 8 oz.: Cream Cheese
  - 8 oz.: Neufchatel Cheese
  - 4.0-oz Tub: Parmesan Shred
- Butter Products:
  - Grade AA Unsalted/ Salted: 1lb. box
- Sour Cream Products:
  - Sour Cream/ LowFat Sour Cream With Live and Active Cultures, 12-oz container
- Cottage Cheese Products:
  - Cottage Cheese (4% milkfat)
  - Lowfat Cottage Cheese (2% milkfat)
- Egg Products:
  - Medium, Large, Extra Large, Jumbo: Dozen
- Juice Products:
  - Orange Juice Pulp Free: Half Gallon & 16 ounce
  - Orange Juice With Pulp: Half Gallon
  - Orange Juice With Pulp/Pulp Free; Calcium Enriched: Half Gallon
  - Lemonade: Half Gallon & 16 ounce
  - Orange-Carrot: Half Gallon
  - Ruby Red Grapefruit Juice: Half Gallon
  - Strawberry Lemonade: 16 ounce
  - Raspberry Lime: 16 ounce

Sales Information and Trends:
Horizon reported record sales for the year 2001, with net sales of $159 million, a 25% increase from $127 million in 2000. The company reports that its products are now available in more than 50% of mainstream grocery stores nationwide. Consumer acceptance of ultra-pasteurized milk, and its inherent preference among large retailers, are largely responsible for the growth, with UP milk making up more than half of total milk sales, and sales of eggnog doubling. Cheese sales rose 79% in the fourth quarter, and in December, Horizon began marketing single-serve flavored milk. Horizon also began a partnership with Starbucks, which has begun carrying single-serve milk in 2,500 stores. In addition, Horizon has begun an advertising campaign expected to give it greater exposure than it has experienced to date. Horizon Organic yogurt is also being sold at Starbucks.

Growth in dairy products was driven by consumer acceptance of the Horizon Organic repackaged line of cheese products, which grew 45 percent in the first half of 2001 and butter, which grew 20 percent during the second quarter. Additionally, divisions of two major conventional grocery customers added organic dairy sections the second quarter.

Of note, Horizon Organic also states that all future expansion of milk supply will be from *independent dairy producers*, which will save capital and reduce the importance of the company's internal supply. In that regard, the company is ending its herd management agreement in Colorado in the summer of 2002.

Organic Valley Family of Farms (CROPP Cooperative)
Headquarters: LaFarge, WI
Regions operating in: Nationwide
Products Offered:

- Milk Products:
  - Ultra Organic Milk
    - Low Fat 1%, 64 oz.
    - Nonfat Skim, 32 oz. & 64 oz.
    - Reduced Fat 2%, 32 oz. & 64 oz
    - Whole, 64 oz.
    - Chocolate 2%, 64 oz.
    - Half and Half, 16 oz., 32 oz.
    - Heavy Cream, 8 oz.
    - Lactose Free Lowfat 1% Milk
  - HTST Milk
    - Lowfat 1%, Nonfat Skim, 2%, and Whole 128 oz., 64 oz.
    - Heavy Cream, 16 oz.
    - Non-Fat Dry Milk, 12 oz., 25 lb.
- Cheese Products
  - Classic Line, Pasteurized
    - Cheddar, Colby, Yellow Monterey Jack, Muenster, Red Rind
  - Raw Milk Cheese
    - Raw Mild Cheddar, Wisconsin (Jack-Style), Raw Milk, Colby

- Raw Milk Specialty Cheese
  - Feta, Pepper Jack
- Slim Line Reduced Fat
  - Reduced Sodium Cheddar
  - Farmer, Monterey Jack
- Premium Cheese
  - Raw Sharp Cheddar, Sharp Cheddar, Baby Swiss
- Other Cheeses
  - Mozzarella, Shredded Parmesan, Parmesan, Romano, String Cheese, Provolone, Shredded Provolone, Shredded Italian 4-Cheese Blend, Shredded Monterey Jack, Reduced Fat Shredded Cheddar, Shredded Mozzarella, Sliced Cheddar, Sliced Monterey Jack

- Pasteurized Premium Juice
  - Orange Juice Pulp Free, Calcium Added, Pulp-Added 64 oz
- Butter
  - Cultured, Unsalted or Salted, 1 lb. or 4 quarters
- Yogurt
  - Nonfat Maple, Plain, Strawberry, Vanilla
- Cottage Cheese
  - Regular and Low fat
- Sour Cream
  - Regular and Low fat
- Brown Eggs
  - Extra Large, 6-pack or dozen
  - Jumbo, dozen
  - Medium, 18 pack
  - Large, 6-pack or dozen
- Meats
  - A variety of meat products through the Valley's Organics brand.

Sales Information and Trends:

CROPP had $103 million in total sales in FY2001 year, up from $7 million in 1995. They have 290 dairy farmers in 11 states. The cooperative has averaged 40% growth over the last several years. They have focused their business on production and marketing, contracting out for processing services to reduce capital risk, particularly for smaller scale specialty products. They pay producers a stable price for milk, in spite of market fluctuations, insulating its member-producers from the fluctuations of the market. They require a one-time investment from each member equal to 5.5% of their farm's annual income, deducted over the course of a year. They are very careful about taking on new members only when they feel the market can handle it.

Midway through 2001, fluid milk sales accounted for 50% of total sales; yogurt, butter, cream, cheese and eggs 21%; industrial ingredients 25%; meat 3%; and packaged juice less than 1%.

65% of total sales occurred in the mass market, while 35% occurred in the natural retail market. CROPP is the only producer of organic lactose-free milk in the country.

Stonyfield Farm
Headquarters: Londonderry, NH
Regions Products Sold in: Natural foods stores and supermarkets nationwide.
Organic Products Offered:

YoBaby Organic Whole Milk Yogurt for Babies and Toddlers
(6-packs with 4oz single-serve cups)
Planet Protectors Organic Lowfat Yogurt
(32oz cups & 6-packs with 4oz single-serve cups)
YoSqueeze Organic Portable Lowfat Yogurt
(8-packs with 2oz single-serve tubes)
Organic Whole Milk Yogurt (6oz & 32oz cups)
Organic Lowfat Yogurt (6oz & 32oz cups)
Blended Organic Lowfat Yogurt (6oz cups)
YoSelf Organic Lowfat Yogurt (6-packs with 4oz single-serve cups)
O'Soy Organic Cultured Soy (6-packs with 4oz single-serve cups)
Nonfat Yogurt (8oz & 32oz cups)
Organic Ice Cream (Pints)
Organic Frozen Yogurt (Nonfat and Low Fat) (Pints)
Nonfat Soft Serve Frozen Yogurt

All products are Certified Kosher.
Sales Information and Trends:
Stonyfield has estimated annual sales of $70-75 million, 40% of which is derived from sale of organic products. Organic products are expected to increase to 50% of total sales in 2002. At 26% annual growth, the company is outpacing the conventional yogurt industry, which is growing at a respectable 8%. The company's four top-selling products are organic. Efforts to target specific audiences—including women with the YoSelf product, and babies with the YoBaby product—have proven fruitful. In light of the possibility of marketing organic milk-based baby food, it is notable that the introduction of an organic dairy product marketed toward babies has done well.

As with Horizon, 65% of Stonyfield's sales came in supermarkets, with the remaining 35% in natural food stores. Stonyfield accounts for half of all yogurt sales in the eastern U.S. and 35% nationwide.

Rockview Dairies
Headquarters: Downey, CA
Regions Operated In: Southern California
Organic Products Offered:

Organic fluid milk

Sales Information and Trends:
A family owned farm, Rockview converted 1,000 of its 11,000 cows to organic production, and possesses a vertically-integrated operation that includes a tanker system. The company sells milk to Alta Dena and Trader Joe's, and markets under its own Good Heart brand. Total sales for all products were $118,859 last year. The company has 331 employees.

Clover Stornetta Farms
Headquarters: Petaluma, CA
Regions operating in: West coast of northern California.
Products Offered:
Organic Fat-free, 1%, 2%, and Whole Milk in half-gallon sizes. In addition: a range of non-organic dairy products, including butter, milk, cheese, and yogurt.
Sales Information and Trends:
Clover Stornetta is known for its easy brand recognition through consistent, creative advertising featuring mascot "Clo the Cow." The company began selling organic milk in 1999. The largest herd they currently work with is 230 cows. Of sales of $72 million in 2000, 3% were organic milk. The company also serves as a bottler for Horizon in the San Francisco region, and has found that both brands do well in the same market.

Natural-By-Nature
Headquarters: West Grove, PA
Regions Products Sold in: Eastern U.S., CO, and NM
Organic Products Offered:
Skim, 1%, 2%, whole, and chocolate milk in a variety of sizes; Canned whipped cream, 7 oz.; Ricotta, cottage, and cream cheese; Low-fat yogurt shakes in a variety of flavors, 8 oz.; Sweet cream butter salted or unsalted, 8 oz.; Pudding: vanilla, chocolate, or rice pudding, 16 oz. and 4.5 oz. twin packs.

Straus Family Creamery
Headquarters: Petaluma, CA
Regions Products Sold in:
Mostly in 45 counties in California, but also Arizona, Hawaii, Oregon, Nevada, New Mexico, Washington, Utah, Georgia, Massachusetts, and Wyoming
Organic Products Offered:

> Cream-Top Whole Milk, Reduced-Fat Milk, Nonfat Milk, Lowfat Chocolate Milk, Whipping Cream, Half & Half, Egg Nog, Butter (salted & sweet), Nonfat Plain Yogurt, Whole Milk Plain Yogurt, Medium White Cheddar Cheese, Sharp White Cheddar Cheese, Monterey Jack Cheese

They also sell bulk milk, cheese, and yogurt to manufacturers and processors.
Sales Information and Trends:
As of 1999, Strauss had 250 cows on their own farm and were contracting with another organic dairy farm for their milk. 2001 sales are estimated at $7,600,000, with 14 employees.

Lucille Farms
Headquarters: Montville, NJ
Regions Products Sold in: Eastern seaboard, from VT to FL
Organic Products Offered:

> Organic cheeses—shredded and chunk—under the Very Vermont label at the retail level and as an ingredient.

Sales Information and Trends:
Lucille Farms, Inc. is a publicly traded company that owns and operates a USDA-approved production plant in Swanton, Vt. The Company produces more than 13,608mt (30 million pounds) of Mozzarella, Provolone and Feta cheese annually for use by pizzerias, restaurants and food processors. Lucille Farms has a long-term relationship with the famous St. Albans Creamery and are their second-largest customer after Ben & Jerry's Ice Cream.

They have106 employees, and reported $45 million in supply and retail sales in 2000, with 2001 sales to be reported in March. Retail sales of "nutritional" and organic cheeses have grown rapidly since their introduction, accounting for over 5% of sales. The company contracts with brokers for the distribution of its organic products.

Purity Farms
Headquarters: Sedalia, CO
Organic Products Offered:
Organic Ghee (clarified butter)

Cascadian Farm (General Mills)
Headquarters: "Home farm" is located in Skagit Valley in WA.
Regions Products Sold in: Nationwide.
Organic Products Offered:
A wide variety. Dairy products include frozen desserts: frozen yogurt, ice cream, and novelties.
Sales Information and Trends:
According to Dun and Bradstreet, total sales are estimated at $7.6 million.

Cabot Creamery Cooperative
Headquarters: Montpelier, VT
Organic Products Offered:
3 kinds of organic cheese
Sales Information and Trends:
Cabot is a conventional dairy that has recently launched an organic line. Total sales in 2001 were $169,554,000.

Cedar Grove Cheese
Headquarters: Plain, WI
Organic Products Offered:
A wide variety of organic cheeses in a variety of sizes.
Sales and Trends:
According to Dun and Bradstreet, sales are estimated at $4.8 million.

Sources for Chapters I. and II.

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Cedar Grove Cheese Website: http://www.execpc.com/~cgcheese/

Clover-Stornetta Farms Website: www.clo-the-cow.com

CROPP/Organic Valley Website: www.organicvalley.com

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Rockview Farms Website: www.rockviewfarms.com

Stonyfield Farm Website: http://www.stonyfield.com/

Strauss Family Creamery Website: www.strausmilk.com

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III. Organic and Natural Poultry

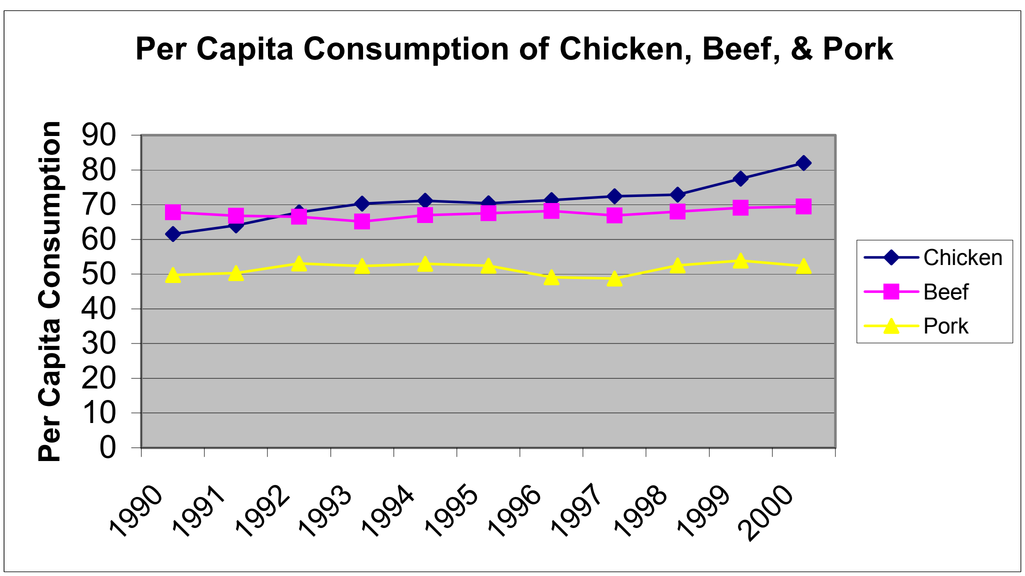
Introduction

This section presents research and a competitive analysis on both organic and "natural" poultry markets, and makes recommendations as to how producers may be able to enter these markets. The research and analysis were prepared based on thorough examination of sources found at various libraries, databases, and the Internet.

While the report was originally intended to focus solely on the market for organic poultry, it became clear early in the research that the scope should be widened to include poultry marketed as "natural." Because the organic poultry market is so small, there is little information about its specific market-related attributes. In addition, it was found that consumers are currently more likely to pay the price difference between conventional and natural poultry than they are between organic and conventional. This represents one important factor for producers considering entry into these poultry markets.
Since the market is currently greater for "natural" than organic poultry, inclusion of information on "natural" poultry is important both as a comparison to the organic market as well as a potential market opportunity in itself.

Market Overview

Overall, the consumption of poultry increased steadily throughout the 1990s, replacing beef as the meat consumed in greatest quantity on a per capita basis. The following chart illustrates per capita consumption of poultry, beef and pork from 1990-2000.



(Source: National Chicken Council)

In a survey conducted in March 2000 by Bruskin Research for the National Chicken Council and U.S. Poultry & Egg Association, 89% of respondents stated that they consumed chicken at least once a week. Thirty-six percent consume chicken three times a week. Those who eat chicken three times or more a week typically have household incomes of $50,000 or more per year, have children at home, and have college or post-graduate education.

According to the ACNielsen Homescan Fresh Foods Consumer Facts 1998 Report, boneless chicken breast is the most popular fresh retail product on the market, purchased by almost 55% of U.S. households.

In spite of the steady growth of poultry consumption throughout the 1990's, some analysts believe that poultry consumption may have reached a saturation point, and that without the introduction of new products, consumption rates will not increase.

An evaluation by Productscan Online of 17 new, innovative poultry products introduced between September 1996 and September 2000 revealed the following:

Key Attributes of Recent Poultry Innovations	**Number of New Products With this Attribute**
All Natural/Animal Welfare *(Includes organic, free-range, no fillers, no preservatives, no antibiotics, no added hormones, no msg, high protein, low sugar, and/or fresh)*	10
Flavor/Premium	8
Fully Cooked	3
Poultry-based Meat Alternatives	3
Positioning (targeted for grilling)	2
Packaging	1

As the chart indicates, the most common attribute of newly introduced products was in the All Natural/Animal Welfare category. This includes the organic area. While not definitive, the focus of new products on these attributes is indicative of perceived consumer preferences for safer, healthier, and humanely produced products.

An article appearing in the New York Times in February 2002 highlighted the poultry industry's reduction in the use of antibiotics. The article attributed this reduction as a response on behalf of the poultry industry to the demands of public health and consumer groups concerned by the amount of antibiotics fed to healthy chickens.

In addition, Tyson Foods, Perdue Farms, and Foster Farms—which together produce one-third of the chickens produced in the United States—have voluntarily taken most or all of the antibiotics out of what they feed healthy chickens. In sick birds, Cipro is being used less as well. McDonald's, Wendy's and Popeye's are now refusing to buy chicken that has been treated with Cipro.

Traditionally, large-scale poultry producers have treated entire flocks for illnesses found in only individual birds in the flock. In spite of voluntary reduction programs in conventional operations, some people are skeptical about the assertions that antibiotic use has been reduced because these operations are not required to report antibiotic use in animals. Thus, the only way currently to be sure that poultry does not have antibiotics is to purchase poultry labeled antibiotic-free or organic.

Organic and Natural Poultry Markets
Information on the exact size of the organic poultry market is difficult to obtain. Data compiled in a report by the Nutrition Business Journal (NBJ), lumps poultry in the same category as meat and fish. According to the National Chicken Council, organic poultry accounts for less than 1% of the U.S. Market. NBJ estimates the organic poultry business to be somewhere between $10-20 million and a very small percentage of the overall market. NBJ also reported that in a survey of organic consumers, 23% stated they always buy organic meats or poultry, 44% sometimes, and 30% rarely or never.

While the organic poultry market is small, the natural market appears to have made considerable gains over the last few years as it has begun appearing in conventional grocery stores. USDA requirements say that natural chicken must have no preservatives, no artificial ingredients, and be minimally processed. Companies that are marketing natural poultry indicate on their label that no growth hormones have been used in raising the birds. Growth hormones are not allowed in raising poultry, so this must also be stated on the packaging. The new USDA organic rules will take effect in October 2002.

When assessing whether to produce and market birds that are organic versus natural, an important question is whether consumers are willing to pay more for organic products. For many consumers, it appears that natural poultry provides the product differentiation they are looking for compared to conventional poultry.

As part of their marketing, the majority of companies selling natural poultry publicize their production methods. As a marketing tool, companies selling natural poultry tout what production standards they follow in addition to the USDA minimum requirements.

In recent years, more mainline poultry companies have begun marketing natural or organic products. Gold'n Plump, which is a Minnesota based company with distribution in the upper Midwest, has both organic, natural, and conventional poultry. Gold'n Plump has been in business since 1926.

Large-scale poultry companies have been able to make the transition to meet the USDA definition of a natural bird relatively easy. No change in the facilities used to raise birds or in the number that can be raised in a facility is necessary. The biggest challenge for these companies has been avoidance of antibiotics. Another major change is the requirement that the birds are to be minimally processed. This means, in addition to other factors, that no injections of any type into the meat are allowed.

A major development within the industry occurred when Tyson introduced a line of organic poultry. This brought the economies of scale and efficiencies that a large organization such as Tyson has along with deep financial pockets to increase the chances of succeeding with a new product launch. This follows the trend of major, established companies entering the organic and natural marketplace.

These larger companies, which have significant sway over the poultry industry as a whole, can have dramatic effects on organic and natural markets. For example, when rumors of Tyson's possible entry into the organic poultry market began surfacing in 2000, this drove the price of non-food grade soybeans and other organic grains to historically high levels. Organic feed soybeans, which had sold in the vicinity of $8.00 to $8.50 a bushel, were selling for over $10 a bushel and peaked in the $10.50 range. The price as of February 2002 had returned to the more historical level of between $8.00 and $8.50 per bushel.

To produce an organic bird is a bit more challenging than producing a natural bird. The biggest change is that all of the feed must come from a verified organic source. In addition, facilities used in raising the birds must also be certified organic. This could lead to the number of birds allowed in a facility to be fewer than when raising natural or conventional birds.

Sales Figures
The Nutrition Business Journal stated that organic Meat, Fish, & Poultry sales for 1997 to 2000 were the following:

	1997	1998	1999	2000
Frozen Poultry, Fish, Meat	$7.1	$9.5	$12.3	$15.0
Meat Fish Poultry	29.5	34.2	42.8	50.5
Canned Fish & Seafood	0.7	0.8	0.8	1.0
Canned Meats & Specialty Food	1.2	1.4	1.8	2.1
Total	38.5	45.9	57.7	68.6

Recent and projected growth rates are as follows:

	1998	1999	2000	2001-04
Frozen Poultry, Fish, Meat	33%	30%	22%	22%
Meat Fish Poultry	16%	25%	18%	18%
Canned Fish & Seafood	14%	9%	16%	16%
Canned Meats & Specialty Food	21%	26%	16%	16%
Total	18%	19%	19%	19%

As the above charts show, organic meat sales have experienced impressive growth over the last few years and all indications are that this will continue. For a number of years to come, however, organic meats will be a small percentage of overall meat sales. Organic meats represented one percent of total U.S. organic food sales in 2000. Only when efficiencies and economies of scale become prevalent and the price per pound can be lowered will market share for organic meats begin to grow.

Shelton's Poultry Inc. of Pomona, CA produces only free-range, antibiotic-free and hormone-free chicken for the retail, natural food, and upscale restaurant markets. Gary

Flanagan, the company's president, stated that "the lion's share goes into further processed products, such as sausage, hot dogs, pie, and jerky. Consumer demand is increasing by sixteen to eighteen percent per year. Awareness for natural foods is growing. As Baby Boomers age, they are looking for help in health food stores and they find our products next to vitamins. The natural food consumer is looking for more convenience. Our products will be in mass markets more and more." Flanagan's assessment is that the state of the industry is healthy and growing and he predicts that the continued growth will be fueled by demand from teens in the mid- to high-age range. "They will go more to convenience products – less raw and more cooked."

Flanagan's assessment and statement parallels what is occurring within the conventional food market and also what the Nutrition Business Journal (NBJ) predicts will happen in the organic market in the packaged and prepared foods category. NBJ predicts that the packaged/prepared food category, with sales of $710 million in the year 2000, will experience average annual growth rates for the years 2001-2004 of 23.3%.

Looking specifically at frozen prepared foods—a category that includes poultry products—the following chart shows what has occurred and what is being predicted to occur through 2010.

	Historical		Estimated					
	1999	2000	2001	2002	2004	2006	2008	2010
Frozen Prepared Foods (In millions)	$145	$185	$238	$307	$498	$717	$931	$1,136

If this holds true, the increase in yearly sales from 2000 to 2010 will be $951 million dollars. Some significant proportion of this increase will be attributed to poultry. The degree to which poultry processors are involved in this product category depends in part on their ability to take advantage of consumer preference for convenience foods.

Conclusions and Recommendations

Poultry is often looked at as an opportunity for producer groups who want to enter the value-added market and enjoy a higher return on their efforts. One of the main reasons that poultry is often looked regarded in this way is that the turn around time is short compared to other animals. There is also a sense that product selection for poultry has potential room for improvement.

What has become clear through this research is that natural and/or organic poultry is being produced by a number of companies that are very well established. Natural products are being brought to market at a higher rate than organic products. While this indicates consumer preference for poultry products with natural or humane attributes, it is too early to make conclusions on the fate of the budding organic poultry market or its viability for new companies.

Following is a summary of major findings:

1) Poultry is the most consumed meat in the United States.
2) There is a belief by some that unless new products become available, the consumption of poultry may be plateauing.
3) There are a number of regional, well-established companies offering organic or natural chicken.
4) The majority of the companies offering natural chicken use the USDA definition as a starting point and add other production practices to what USDA states is natural.
5) The chickens are usually grown within a reasonable distance to a processing center.
6) Distribution of products is usually over a multi-state area.
7) With Tyson's entering the organic market, it is unknown how this will impact the market. The economies of scale they bring forth could make it much more difficult for smaller entities to enter the marketplace. At the same time, Tyson's promotion of its natural and organic products will make more consumers aware of these products.
8) The price difference between natural and organic may provide more opportunities for natural products and not organic. For the average consumer, the fact that there are no growth hormones or antibiotics used may be enough of a product differentiation point.

If a producer group is considering natural or organic poultry as a potential business possibility, the following should be considered:

1) Proper market research needs to be conducted. This will allow an organization to know how many birds they can possibly sell and who the target market is.
2) As part of the market research, a thorough competitive analysis should be conducted that targets both the region and potential products in question. If natural or organic birds are already in this market, then launching a new product into this market could be very difficult.
3) Economies of scale need to be considered. Cost is an important aspect of getting consumers of conventional poultry to purchase natural or organic

poultry. Per unit costs need to be kept as low as possible in order to capture the maximum market share possible.

4) Partnering in some way with a poultry company that is not offering natural or organic poultry may be a way to enter into the market and have the processing, distribution, and marketing aspects done with an organization that has experience in these areas.
5) Processing is as important a part of the total business equation as production is. Processing is often difficult to find, so for most new businesses, part of the business planning may include building a processing facility.
6) Production methods will need to be agreed upon so that there is consistency of product.
7) Fresh products are preferred over frozen. This needs to be considered when distribution is planned.
8) Marketing materials are vital to explain to the consumer what the advantages are in changing to a new product and why they are probably paying a bit more for this product.

Competitive Analysis

A review of the major players in organic/natural poultry follows. Overall organic sales amounts were difficult to obtain. Information sought from each company included the extent of their involvement in marketing either natural, organic or both types of poultry; their product claims on these products; sales volume; production sources; processing facility arrangements; distribution area; and other miscellaneous information.

Petaluma Poultry – Organic and Natural Products
P.O. Box 7368
Petaluma, California 94955
707-763-1904
www.healthychickenchoices.com

Product Name: Petaluma Poultry
Petaluma Poultry markets three brand names of chicken – Rocky the Range Chicken, Rocky Jr., and Rosie the Organic Chicken.
Claims: Rocky the Range Chicken

1) Grown for 9-10 weeks, which results in a bird in the 4 ½ to 5 ½ pound range.
2) Vegetarian diet containing no animal fat or animal by-products.
3) Never fed antibiotics.
4) Is raised and labeled under an USDA approved proprietary protocol and quality control program.
5) Is grown, processed and distributed b one integrated poultry company.
6) Stress-free environment in spacious, uncrowded houses with extra floor space in which to grow.
7) Given an outside yard in which to roam and forage.
8) Is grown and handled in a humane manner at all times.
9) No chemical or preservatives are used during processing to enhance shelf life.
10) Has a metal wing tag attached to identify it as a Rocky the Range Chicken
11) If a bird does get sick and antibiotics are required, the bird is removed form the flock and sold into the conventional chicken market.

Rocky Jr.

This product has all of the above characteristics except that it is grown to the 3 ¼ to 3 ¾ pound size that calls for 20 minutes less cooking time than Rocky the Range Chicken.

Rosie the Organic Chicken

1) Is fed 100% certified organic feed consisting of corn and soybean flakes, which are grown on soil free of pesticides and commercial fertilizers for a period of three years. The vegetarian diet contains no animal fat or animal by-products.
2) Is never fed antibiotics or drugs of any kind.

3) Is raised and labeled under a protocol and quality control program certified by Oregon Tilth, a third party certifier.
4) Is given an outside yard in which to roam and forage.
5) Is grown in a stress-free environment in spacious, uncrowded houses with extra floor space in which to grow.
6) Is grown, processed, and distributed by an integrated poultry company. The company has complete control from hatching eggs through store delivery.
7) Is grown and handled in a humane manner at all times.
8) No chemicals or preservatives are used during processing to enhance shelf life.
9) If a chicken does get sick and given antibiotics, it is removed from the flock and sold as a conventional bird.

Sales/Volume Figures: Sales for Petaluma in 2000 were reported to be $33.6 million.
Production Source: Petaluma Poultry has control from hatching eggs to distribution. The birds are raised on farms located within thirty miles of their processing plant in Petaluma, California.
Processing: Owned by Petaluma Poultry.
Distribution: Petaluma Poultry is distributed to ten different states including Arizona, California, Colorado, Washington, Oregon, New Mexico, Utah, Idaho, Nevada, and Missouri.
Other Information: Petaluma Poultry has been in business since 1969. They have a fully integrated system from hatchery to distribution. Their best selling chicken is Rocky Junior. In a recent article, it was stated that Wild Oats was selling Rocky Junior at around $2 per pound retail. For the same time period, Safeway was selling whole chickens at $.99 per pound retail. Petaluma Poultry's sales increased significantly in 2001, consistent with the growth of the overall natural and organic food markets.

Gold'n Plump – Organic, Natural, and Conventional Products
P.O. Box 1106
St. Cloud, MN 56302-1106
320-251-3570
www.goldandplump.com

Product Name: Gold'n Plump
The organic poultry is marketed under the North Country Farm Labels. Their natural poultry is marketed under the Gold'n Plump label as well as their conventional poultry. Gold'n Plump does not promote itself as heavily as a company offering natural or organic poultry as other companies do.
Claims:

1. The chickens are raised and processed in Wisconsin and Minnesota under strict quality standards.
2) The chickens are caringly raised by local farmers and Gold'n Plump personnel raised in the areas of animal health and nutrition.
3) The chickens roam freely in modern, climate-controlled barns designed to maintain optimum health and comfort.

4) The chickens eat wholesome, nutritious feed made primarily of kernel corn.
5) The products are naturally good with no added hormones.
6) Every product features a manufacturing freshness date code that includes a sell by date, a use or freeze within 48 hours, and a product tracking code to enhance their food safety program.

Sales/Volume Figures: Total sales are in the vicinity of $200 million. Organic sales are unknown.
*Production Source***:** Gold'n Plump states they have 300 growers. The organic birds come from Iowa.
Processing: Owned by the company.
Distribution: Gold'n Plump's distribution covers 23 Western and Upper Midwestern states. It reaches Southern states as a supplier to Super-Target Stores. About 20 percent of their sales are to restaurants and institutions, 15 percent are for byproducts used in goods such as hot dogs and pet food, and 65 percent of sales are to retail and deli outlets.
Other Information: Gold'n Plump is a Minnesota based company that has been family owned and operated since 1926.

Wakefern Corporation – Natural Products
600 York Street
Elizabeth, NJ 07201
908-527-3300

Readington Farms
Mill Road
Whitehouse, NJ 08888
908-534-2121

Product Name: Readington Farms
On August 15, 1999 they introduced its own line of fresh, natural chicken at each of their stores. It is being marketed under the Readington Farms label.
Claims:

1) Always fresh, never frozen.
2) All Natural
3) Minimally processed
4) No additives or preservatives
5) USDA government Grade A
6) Never treated with or fed antibiotics….ever
7) Raised with no medicine at all
8) Fed an all-natural feed
9) Raised in a low-stress environment (refers to the lighting and ventilation is controlled and there is plenty of room for the chickens to move around and plenty of water for them)

Sales/Volume Figures: According to Dun & Bradstreet, Wakefern Food Corporation for 2000, were $5.7 billion. For Readington Farms, sales for 2000 were $47.8 million.

Production Source: Raised in northern Georgia, because according to Wakefern, the area, due to certain natural characteristics, is relatively disease-resistant and the temperature is right.
Processing: Unknown
Distribution: Distributed to the 201 ShopRite member stores throughout New York, New Jersey, and Pennsylvania.
Other Information: Wakefern was motivated to introduce this line of chicken based on focus groups and surveys that they conducted and found that consumers wanted a product that approached the organic level. What they found was that customers wanted an all-natural, whiter chicken that has no antibiotics or hormones. White is perceived by the consumer as better, probably because yellow is associated with fat.

Bell & Evans – Natural Products
154 West Main Street
PO Box 39
Fredericksburg, PA 17026
717-865-6626
www.bellandevans.com

Product Name: Bell & Evans
Claims:

1) No antibiotics
2) No growth hormones
3) Fed an all vegetable diet of natural grains with vitamins and minerals for optimal nutrition, quality and taste
4) Chickens are also not de-beaked and are free to range within houses.
5) In their starter feed, the birds are fed 10 times the recommended amount of Vitamin E, which bolsters their immune system, thus there is not a need to give antibiotics later on.
6) After processing the chickens are shipped in freshly packed ice in refrigerated trucks. The chicken is never frozen. Most deliveries occur within 24 hours of processing.

Sales/Volume Figures: Sales for Bell and Evans for the year 2000 according to Dun and Bradstreet was $85 million.
Production Source: The birds are raised in company facilities in Pennsylvania Dutch Country.
Processing: Processing is company owned.
Distribution: Bell & Evans products can be found in the following stores, Balducci's, Wild Oats, Mr. Bill's Poultry Market, Clemens Markets, Giant Eagle, Jefferson Market, Hay Day, Sutton Place, and Whole Foods Markets located in the eastern part of the United States.
Other Information: Bell & Evans have been in business over 100 years.
In addition to whole chickens, Bell & Evans also markets Chicken Sausage, Easy Street Gourmet Marinated Chicken Breasts, Boneless Chicken Roasts, Chicken Nuggets and Ian's Natural Foods Chicken Pot Pies & Stuffed Chicken Breasts. Their plan is to continue to increase their product line.

Eberly – Organic and Natural Products
1095 Mt. Airy Road
Stevens, PA 17578
717-336-6440
www.eberlypoultry.com

Product Name: Eberly's
Claims:

1) The birds are grown to size naturally – 6 to 8 pounds in 12 to 13 weeks and never rushed to maturity with growth stimulants or hormones.
2) Birds are fed pure feed grains free of animal or other by-products.
3) Raised in uncrowded, well-ventilated houses, not cages.
4) The birds get plenty of fresh air and room to roam.
5) Minimally processed, hand cleaned and packaged under USDA approval to assure full flavor and wholesomeness.
6) The Northeast Organic Farmers Association and Pennsylvania Certified Organic certify the organic poultry.

Sales/Volume Figures: According to Dun & Bradstreet, sales for 2000 were $8.7 million.
Production Source: Eberly's poultry is raised by over 80 Amish and Mennonite family farms in Pennsylvania Dutch Country.
Processing: The processing is company owned.
Distribution: Distribution occurs in twelve eastern states and Washington D.C. In addition they export to Bermuda and the Caribbean.
Other Information: All of Eberly's poultry in organic. Eberly's has been in business since the 1940's. They offer both organic and natural poultry. By 1990, most of their poultry was produced without antibiotics, growth stimulants or by-products in feed. In 1991 they went to free range and also became certified organic. Eberly's produces birds for D'Artagnan and also Bell and Evans.

Tyson – Conventional and Organic Products
2210 West Oaklawn Drive
Springdale, AR 72762
501-290-4000
www.tyson.com

Product Name: The organic poultry is sold under the brand name of "Nature's Farm." All other poultry is sold under the Tyson brand.
Claims: Tyson states that the Nature's Farm products are:

1) certified organic
2) contain no artificial ingredients, preservatives, pesticide residues, antibiotics or growth-promoting hormones or steroids.

In its company information, Tyson states that its chickens (the non-organic) are raised in the same manner that 98% of all chickens in the United States are raised. They state that they have independent contracts with farmers who usually have other agriculture interests as well as grow chickens on relatively small farms. The typical broiler house is 16,000

square feet and the birds are allowed to move throughout the entire space. The chickens are fed a nutritious, high quality diet that is primarily corn-based and "contrary to widespread belief", contains no steroids or growth hormones. The company also states that it does not routinely feed healthy broiler chickens antibiotics as growth stimulants, does not de-beak its chickens or de-claw them, and that the birds are slaughtered in the most humane manner possible, which includes calming them in a low-light room and stunning them early in the process with a low-voltage electric shock that anesthetizes them before processing begins.
Sales/Volume Figure: Sales in 2000 were $10.75 billion for all of Tyson's.
Production Source: The organic birds are raised in Missouri on a contract basis. All of their other birds are also raised on a contract basis.
Processing: Company owned.
Distribution: The original rollout of the "Nature's Farm" organic poultry was done during the summer of 2001 at 275 Kroger and Albertson's in the Dallas and Houston areas as well as ten Wal-Mart stores were also scheduled to receive the product. Tyson's conventional product distribution is nationwide.
Other Information: Tyson is the largest retailer of chicken in the U.S. Price has always been a detriment to holding back growth of organic poultry, but Tyson feels that their size allows them to price it closer to conventional poultry. At the retail level, organic whole fryers were priced at $2.49 per pound, boneless chicken breast and tenderloins $5.99 per pound, split breasts $3.99 per pound, and packages of wings, thighs or drumsticks at $1.99 per pound. Tyson states that the premium for organic poultry is about $1 more per pound on the high end and 50 cents more per pound for drumsticks, thighs, and wings at the retail level.

Organic Valley – Organic Products
507 W. Main Street
La Farge, WI 54639
608-625-2602
www.organicvalley.com

Product Name: Valley Meats
Claims: Valley's Organic Meat states this about their poultry:

1) No pesticides, antibiotics, or hormones.
2) 100% certified organic feed.
3) No nitrates, nitrites, or preservatives.
4) Humane treatment of animals.
5) Free ranging birds, with full access to the outdoors.
6) Family-farmer producer.

The poultry products available are ground chicken, chicken hot dogs, chicken brats, chicken hot Italian, chicken mild Italian, chicken breasts, whole chicken, whole small chicken.
Sales/Volume Figure: Total sales for Organic Valley were expected to top over $100 million in 2001. What percentage of this revenue that is related to organic poultry and other organic meats is unknown.
Production Source: Members of the cooperative.

Processing: Contracted
Distribution: Distribution of their meat tracks the same as their other products.
Other Information: Organic Valley markets its organic meats under the Valley's Meats label. All of their chicken is certified organic by Oregon Tilth. Valley's Organic Meats was launched in 1998 and is part of the Organic Valley brand of organic products. Organic Valley is the brand name for the Coulee Region Organic Produce Producers (CROPP) cooperative. CROPP is the largest organic cooperative in the U.S.

Fieldale Farms Corporation – Natural Products
555 Broiler Blvd.
Baldwin, GA 30511
706-778-5100
www.springermountainfarms.com
www.fieldale.com

Product Name: Springer Mountain Farms
Claims:

1) no chemical medicines administered
2) never fed any artificial growth stimulants and hormones
3) never treated with antibiotics
4) birds are raised on low-stress, environmentally controlled farms

Sales/Volume Figure: The sales for Fieldale Farms is $450 million for 2000 according to Dun and Bradstreet.
Production Source: Springer Mountain Farms contracts with growers in the area.
Processing: Company owned. Springer Mountain Farms states they follow guidelines that are ten times more stringent than what the USDA says is necessary at their processing facility.
Distribution: The main outlets for Spring Mountain Farms are Tops Friendly Markets, Stop & Shop, and Giant chain stores. Tops is found throughout Western and Central New York, Northern Pennsylvania, and Northeast Ohio. Tops is part of the Ahold USA supermarket conglomerate which operates more than 1,000 stores along the eastern seaboard. Stop & Shop is found in the five states of Connecticut, New York, New Jersey, Rhode Island, and Massachusetts. Stop & Shop has 320 stores. Giant is found in Washington DC, Delaware, Maryland, New Jersey, and Virginia.

D'Artagnan – Organic Products
280 Wilson Avenue
Newark, NJ 07105
973-344-0565
www.dartagnan.com

Claims:
D'Artagnan sells free-range, organically raised birds along with 300 other specialty items claiming that they are the leading purveyor of foie gras, pates, sausages, smoked delicacies, organic game and poultry.

*Sales/Volume Figures***:** According to Dun and Bradstreet, sales for 2000 were $23.2 million.
Production Source: Contracts with Eberly's.
Processing: Provided by Eberly's.
Distribution: Unknown. Products are sold via home delivery, but also to the restaurants, hotels, retailers, cruise ships and airlines.
Other Information: D'Artagnan is an upscale company not trying to compete in the supermarket aisles. Duck is their main specialty with chicken a complementary product.

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IV. Organic Eggs

Market Overview

Conventional Egg Industry

Prior to the 1940's, small backyard flocks, each of a few hundred hens, produced most of the eggs consumed in the U.S. Today, however, the conventional egg producing industry is dominated by huge commercial operations of a million or more laying hens.

Such operations require major capital investments to start up and operate. This has contributed to a rapid consolidation in the industry during the last 15-20 years into fewer, but much larger, egg producing farms. In 1987 there were 2,500 egg producing companies of 75,000 birds; today there are only 280 of that size.

The top five egg producing states (Iowa, Ohio, California, Pennsylvania, and Indiana) account for 50% of all eggs produced in the U.S.: over 72 billion eggs in 2001. Approximately 70% of the eggs produced today in the U.S. are sold as shell eggs, with the remaining 30% going into further processing. The ratio of shell vs. processed eggs has changed over the years as food manufacturers have continuously discovered new uses for the functional properties of eggs.

During the 1980's and 1990's, eggs were subject to criticism because of their high fat and cholesterol content, and egg consumption fell as a result. The low point came in 1991 when per capita consumption fell to 234 per year. However, new studies are giving eggs a new lease on life. The American Egg Board (AEB) reports that eggs contain 22% less cholesterol than previously thought. The American Heart Association has backed up this claim, and egg consumption has grown during the latter half of the 1990's as a result. Per capita consumption of eggs in the U.S. today is approximately 251 per year.

Organic Egg Industry

Although the dairy segment of the organic industry has grown significantly during the 1990's, as noted above, milk and milk products account for the lion's share of this growth. Eggs represent a much smaller component of the organic dairy segment. AEB indicates a greater preference for organic eggs among younger shoppers than older shoppers. While personal health concerns remain an important factor in organic egg purchases, the Nutrition Business Journal reports that concern for humane treatment of laying hens is of equal or greater importance among U.S. consumers.

The organic egg industry represents a very small percentage of the total eggs produced in the U.S. Little consumer or retail research has been conducted to date on this segment of the organic market, making it difficult to assess the past or predict the future. However, based on available information it can be extrapolated that approximately 4.33 million organic eggs were produced in the U.S. in 2001. The Nutrition Business Journal reports that the organic egg market accounted for about $50 million in sales in 2000, with an increase of 65% over 1999 in mass market sales of organic eggs. A representative of CROPP cooperative estimates that the market has been growing at 25% per year for the last few years, but expects a leveling off to about 10% - 15% in the next few years.

Trends in Organic Egg Production

Interviews were conducted with a small sample of organic food manufacturers for this report. All of these manufacturers use organic eggs – most often in the form of dried whole egg powder or frozen egg whites – in their products. In general, these manufacturers believe the new Organic Rule will impact their needs for organic eggs only slightly in the foreseeable future: they expect their sales to remain stable or grow perhaps 5% - 10% during the coming year.

These interviews also indicate that obtaining a reliable supply of processed organic eggs can be a problem for larger, more sophisticated organic food manufacturers. With a couple of exceptions, suppliers of organic eggs don't yet have the volume to mimic the conventional market in terms of ordering process, reliability of supply, and meeting the buyer's quality and delivery standards.

As noted above, eggs in general are experiencing renewed interest and consumption due to new information about their nutritional qualities. Still, in the natural foods and organic segments of the egg market, consumers are looking for healthier options of their favorite egg products. Recent developments in the market reflect these trends.

Organic and natural egg producers use a variety of techniques to manipulate the fat and cholesterol contents of their eggs. For example, low fat, high fiber chicken diets have been shown to reduce cholesterol in eggs. Some producers maintain a strict vegetarian diet for their chickens while others provide a free-range environment to ensure healthier, stress-free chickens. These companies market the nutritional advantages of their eggs to the health-conscious natural foods consumer.

According to Urner Barry, an agricultural marketing service, the conventional egg market has recently shown a softening of interest in low fat/low cholesterol egg products. Organic industry observers believe that this trend will transfer over to the organic market in the near future.

In addition, nutritional modification of eggs appears to be a growing trend among egg producers. The presence of beneficial Omega-3 fatty acids and other nutraceuticals can be manipulated via chicken feed. Some egg producing companies obtain increased levels of Omega-3 in their eggs through the addition of marine algae or flaxseed or other nutritional additives into the chicken feed.

Some eggs with modified nutritional characteristics are also marketed as organic. The introduction of these products has segmented the natural and organic egg market somewhat, resulting in some consumers basing their choice of egg on a nutritional profile rather than on its organic status.

The organic egg market, like the conventional market, can be broken into two broad categories: Fresh and Processed.

Fresh Organic and Natural Eggs

Historically, fresh organic eggs have been sold by local or regional producers through natural foods stores and food co-ops, in addition to direct sales by farmers to consumers such as through farmers markets. In smaller stores, farmers might deliver directly from farm to store; where grocery distributors were used, the same distributor who handled dairy and refrigerated products typically distributed fresh eggs.

With the growth of natural foods chain stores (Whole Foods, Wild Oats, etc.) and the entry of mainstream grocery stores into organic product retailing, the production and distribution system is changing. A increasingly important role is being played by regional and national suppliers, using larger distributors. Local producers still supply local food stores and co-ops and sell at farmers' markets, but the relative proportion of supply provided by these farmers has in general decreased.

Overall demand in the fresh egg category has increased in the past several years, due in large part to two events. First, as noted above, changes in feeding programs have resulted in egg producers being able to consistently produce eggs high in Omega-3 acids, while other regimes result in eggs with lower cholesterol than conventionally produced eggs. Omega-3 acids in the diet have been linked to the prevention of coronary heart disease by lowering serum cholesterol, triglycerides and low density lipoprotein levels; they are also beneficial for brain and eye function, infant development, and a healthy immune system. One distributor reported that testing by an independent laboratory had shown organic eggs to have a stronger Omega-3 profile and an overall denser nutritional profile than conventional eggs. In essence, changes in feeding regimes have made fresh eggs into functional foods.

Second, as noted above, recent research has uncoupled the previous links between eggs and cholesterol, with the effect that doctors and nutritionists no longer place significant limitations on the use of eggs in the diet. The American Heart Association eased its recommendations on egg consumption in 2000.

The American Egg Board identifies a couple of specific areas in which product innovation may increase egg sales. These include targeting ethnic groups with a preference for larger number of eggs as well as smaller packaging (half-dozen or four-packs) for younger and older shoppers more likely to live alone.

The natural/organic fresh egg sector is segmented. Together, "specialty eggs" make up 5% of all egg consumption in the US. The largest segment of specialty eggs is the "nutritionally enhanced," such as the "low fat" or "high Omega-3" products. Additional products on the market include:

- Organic eggs: produced in accordance with federal organic law regarding organic feed, prohibition of hormones, antibiotics, and confinement systems;
- Cage free eggs: eggs produced by hens who roam in barns or yards without cage confinement;
- Free-range eggs: produced by hens with access to outdoor yards;

- Pasture-raised: hens are similar to free-range hens, but are kept in a movable pen that can be transported from place to place on a pasture. These hens are kept on the pasture all the time.
- Vegetarian eggs: produced by hens fed only a vegetarian diet, devoid of animal fat, animal byproducts, or recycled food.
- Fertile eggs: unlike the majority of eggs sold on the market, have been fertilized by a rooster.

In each of these systems, an egg marketer typically contracts with specific producers to produce eggs in a manner prescribed to meet the marketing claim. Contracted operations are strategically located to meet the demands of the region they supply.

Label claims regarding nutritional content must be approved by the USDA, and supported by approved research. Typically the company also routinely samples production to ensure compliance with label claims. In the case of label claims regarding animal welfare, producers are typically third-party inspected, either as a part of their organic certification or through a program such as the American Humane Society's "Free Farmed Foods" certification program. Some companies also certify their eggs as kosher.

In the Upper Midwest, recent retail movement of fresh organic eggs seems to be stable to increasing. One distributor reported that it was not atypical for an individual upscale mainstream grocery store to move 8-10 cases of organic eggs a week. (A case consists of 15 dozen eggs). By comparison, a representative of Williamson Street Grocery Cooperative in Madison, Wisconsin reports current sales of 40-50 cases/week (from 3 different companies: Organic Valley, New Century, and Farmer's Henhouse); and New Pioneer Co-op in Iowa City reports sales of 7 cases/week (from two different companies).

Processed Organic Eggs

Though detailed data are not available, it is estimated that less than 10% of fresh organic eggs are sold for processing. These products, including frozen and dried egg whites, egg yolks, and whole eggs, are sold almost exclusively as ingredients to organic food manufacturers. For all intents and purposes, there is currently no consumer market for processed organic egg products.

There are two major suppliers of organic egg products for purchase by most major product lines: Primera Foods and Organic Valley. Both suppliers provide a full range of processed egg products. One of the major products is dried whole eggs, as described by Organic Valley on their website:

> "Organic Whole Egg Powder is prepared from liquid whole egg of domestic hens broken from the shells and in their natural proportion as so broken. They are mixed and pasteurized to destroy all viable salmonella micro-organisms. The liquid whole egg is then spray-dried to yield a yellow colored free-flowing powder."

These are sold in 25 or 50 pound bags in boxes.

Whole frozen eggs are described by Organic Valley as "prepared by freezing liquid whole organic eggs of domestic hens broken from the shells and with the yolks and whites in their natural proportion as so broken. They are mixed and pasteurized to destroy all viable Salmonella micro-organisms." These are sold in 4 gallon plastic pails.

Sharon Herzog is Director of Research and Development at Country Choice Naturals, an organic processor and marketer of cookies and cereals. Country Choice uses Primera as its supplier of organic processed egg products. Herzog notes that Country Choice prefers to use organic whole egg powder, as opposed to frozen eggs, which have a shorter shelf life and require greater shelf space and freezer space than powder. Powdered products can have a shelf life of a year if handled properly. In addition, the powder is preferred by Country Choice's handlers.

Whether using powdered or frozen organics, organic eggs are significantly more expensive. This fact goes a long way in explaining why organic eggs are considered a specialty item, and have to date been largely avoided by most mainstream manufacturers. However, Herzog believes that the impending implementation of USDA organic standards will increase the involvement of mainstream players such as Keebler and Kellogg's. Already, Kellogg's is producing an organic Kashi cereal. The involvement of these large-scale companies may serve to increase production of organic egg products and drive the price down.

On the other hand, one ingredient buyer at Natural Products Expo East hypothesized that the advent of the new USDA regulations would allow food manufacturers to back off on the use of expensive organic ingredients such as organic eggs, while still using a majority of other organic ingredients and using "organic" on the package label. Discussions with a number of manufacturers of other all-organic products did not support that view.

Summary of Key Findings

Based on the research discussed above, a few key points are worth reinforcing:

- All observers expect the organic market as a whole to continue to grow. Organic eggs will undoubtedly benefit from that trend.

- The introduction of the USDA Organic Rule is likely to increase demand for organic eggs as a food ingredient, although its impact may be moderate at first.

- Interest among natural foods/organic consumers in nutritionally modified eggs will remain high, although it is likely that the intense interest in lower cholesterol eggs will wane somewhat.

- Humane treatment of laying hens is a primary concern for natural/organic egg buyers. Successful marketing/labeling of humane practices are therefore a key component to be considered by natural/organic egg producers.

Competitive Analysis

Fresh Eggs

As previously noted, individual local producers still sell organic eggs directly to some stores. No effort has been made here to comprehensively identify these producers. The following represents information on companies whose products are more widely distributed and sold.

Horizon Organic Dairy
6311 Horizon Lane
Longmont, CO 80503
Phone: 303-530-2711 Fax: 303-652-1371
web site: www.horizonorganic.com
Horizon Foods sells eggs and distributes them alongside their dairy lines. For distribution east of the Mississippi River, they source their eggs from contracted ranches in Jetersville, VA and Rocky Mount, NC.
Products: Horizon distributes only fresh eggs; they do not sell processed egg products.
Total 2001 Sales: $158,870,000
Employees: 240

Glenwood Foods, LLC
Scott Akom, General Manager
20850 Jackson Lane
Jetersville, VA 23083-2167
Phone: (804) 561-3447 ext. 241 Fax: (804) 561-3228
e-mail: gwoodfoods@aol.com
Products: Glenwood Foods produces certified organic eggs under the Horizon label. They call themselves "one of the country's largest producers, processors and distributors of certified organic eggs."
Total 2001 Sales: $16 million
Employees: 75
Certification: QAI
Founded: 1961

Organic Valley/CROPP Cooperative, Inc.
507 West Main Street
La Farge, WI 54639
Phone: (608) 625-2666 Fax: (608) 625-2600
Toll Free: (888) 444-6455
e-mail: organic@organicvalley.com
web site: http://www.organicvalley.com
*Products***:** Under its Organic Valley brand, CROPP produces and processes whole organic eggs, spray-dried powdered egg products, and frozen egg products for retail and food processing markets.
Total 2001 Sales: $99,885,000
Employees: 110
Certification: OTCO

Egg-Land's Best Eggs
842 First Ave., King of Prussia, PA 19406
610-265-6500
www.eggland.com
Egg-Land's Best Eggs is a major producer of specialty eggs, with total sales in all segments exceeding 300 million eggs annually. Various feeding regimes and production systems result in product lines that include Egg-Land's Best eggs, Organic, and Cage-free. All are fed a vegetarian diet without hormones or antibiotics, and without animal byproducts or animal fats. The company holds a patent for a production system that results in eggs compatible with a cholesterol reducing diet. The modified feed regime results in an egg with less saturated and less total fat, and increased Omega-3, iodine, and Vitamin E compared to ordinary eggs. While the company is headquartered in Pennsylvania, contract production facilities are located to provide nationwide distribution. For example, their Egg-Land's Best product that is sold in the Twin Cities originates on farms in Missouri, while their organic eggs originate on a farm in Michigan. Currently only one organic farm serves the Egg-Land system. A listing of retailers carrying their product is available on their website.

Egg Innovations, LLC
John Brunnquell, President
3420 Highway W
Port Washington, WI 53074-9784
Phone: (262) 284-1619 Fax: (262) 284-9333
e-mail: john@egginnovations.com
web site: www.egginnovations.com
Egg Innovations began in 1917 as a family enterprise to shift from egg production to egg marketing. Egg Innovations contracts with producers around the country (mostly in Wisconsin and Ohio), providing feeding and husbandry instructions to its producers. Egg Innovations provides for transportation from the farm, market development, brokerage fees, and research development. Organic operations are certified by QAI. The company is the first egg company to be certified by the Farmed Free program of the American Humane Society. (For further info, see www.freefarmed.org).
Products: Current product offerings include a certified organic brown egg, a vegetarian brown egg, a cage free brown egg, and a reduced fat Omega-3-Vitamin E rich white egg, all marketed in recycled plastic packaging. All products are produced without hormones, drugs or antibiotics. The company is actively exploring new product development based on feed regime and consumer demand; an anticipated product is a neutraceutical egg product. Currently their products are distributed in 25 states.
Total 2001 Sales: $9,670,000
Employees: 12
Certification: QAI
Founded: 1917

Chino Valley Ranchers
Sharon Krumwiede, General Manager
5611 Peck Road
Arcadia, CA 91006-5851
Phone: (626) 652-0890 Fax: (626) 652-0893
Toll Free: (800) 354-4503
e-mail: eggs@chinovalleyranchers.com
web site: www.chinovalleyranchers.com
Chino Valley Ranchers is headquartered in southern California, and has been in business for almost 50 years. Distribution is currently located throughout the western half of the U.S., though plans exist to expand to the eastern half of the country through contract growing arrangements in Wisconsin and Ohio. All production is carried out without use of hormones or antibiotics. Certification of organic eggs is through California Certified Organic Farmers. The company reported an increase of 40% in organic egg sales in 2000.
Products: Chino Valley Ranchers offers six products under their brand name: organic eggs, organic Omega-3 eggs, Veg-A Fed eggs, Veg-A-Fed Omega-3 eggs, Nutri-Fresh Fertile eggs, and Mother's Free Range eggs.
Total 2001 Sales: $5 million
Employees: 3
Certification: CCOF
Founded: 1953

Pete and Gerry's Organic Eggs
130 Westview Ln
Monroe NH 03771
e-mail: pngeggs@together.net
web site: www.peteandgerrys.com
Pete and Gerry's Organic Eggs is a 4th generation family farming operation in the mountains of New Hampshire.
Products: Their product line consists of certified organic and cage free Omega-3 enriched brown eggs, marketed to grocery stores in New England. Recently they have begun development of a line of processed organic egg products, in conjunction with a private egg cracking company in New England.

R.W. Sauder, Inc.
570 Furnace Hills Pike
Lititz, PA 17543
Phone: (717) 626-2074
web site: www.saudereggs.com
The Nutrition Business Journal lists Sauder's Eggs as one of the strongest brands in the organic egg market.
Products: Organic and conventional fresh eggs and hard-cooked eggs under the Sauder's Eggs label, including a hard-cooked 2-pack, as well as red beet eggs, mustard eggs, and pickled eggs.
Total 2001 Sales: $85 million
Employees: 425

Country Hen, Inc.
16 Williamsville Rd.
Hubbardston, MA 01452
Phone: (978) 928-5333
web site: www.countryhen.com
Country Hen was the first company to produce Omega-3 eggs, in 1988. These eggs are now produced in Israel, Korea, Canada, and Germany.
Products: Fresh organic and Omega-3 eggs.
Total 2001 Sales: $4 million
Employees: 40
Certification: OGBA

Processed Eggs
Eggology
6728 Eton Ave
Canoga Park, CA 91303
web site: www.eggology.com
Eggology specializes in the retail marketing of separated conventional egg whites for use in baking, restaurant use, and for home use such as for protein shakes. Packaging is all in 16 and 64 oz consumer and foodservice size containers, facilitating use by chefs and individual consumers. Product is sold in health food stores, nutrition, fine food stores and groceries, as well as by mail. While the vast majority of their product line is made from fresh conventionally produced eggs, they do make an organic version of the egg white product, utilizing same packaging sizes. Raw materials are sources from organic producers, primarily in California. Eggology uses only the whites of the eggs for their products; yolks are sold to other food manufacturers for the production of salad dressings, ice creams, etc. Some yolks and whole egg products are sold as food ingredients to bakeries and restaurants.
Total 2001 Sales: $1.6 million
Employees: 14

Farmer's Organic Foods
5697 Eagle Ave. SW
Kalona, IA 54659
Phone: (319) 683-2206
Farmer's Organic Foods produces organic eggs in eastern Iowa.
Products: Product lines include organic/free range eggs packed in recyclable plastic cartons, cardboard cartons, bulk flats, and custom packs. Organic production is certified by Global Organic Alliance. Certified kosher products also available. In collaboration with Garden Valley Organic of Alma Center, WI, they produce organic liquid frozen egg products (whole egg, sugared whole egg, salted whole egg, sugared egg yolk, salted egg yolk, and egg whites) and organic dry egg products (dry whole eggs, dry egg yolk, dry egg white). The company also sells dry organic egg noodles and fresh/frozen organic egg noodles. All product is custom processed at certified organic co-packing facilities.

Garden Valley Organic
Anthony Dryak, President
W15918 State Road 95
Taylor, WI 54659
Shipping: W12599 East Fees Road Alma Center, WI 54611
Phone: (715) 964-1317 Fax: (715) 964-2017
e-mail: eagletop@discover-net.net
web site: www.gardenvalleyorganic.com
Products: Garden Valley does not produce organic eggs; rather they process organic eggs for the food manufacturing industry. Garden Valley works in close collaboration with Farmer's Organic (see above).
Certification: GOA, QAI
Founded: 1998

Judy's Family Farm
Steven Mahrt, Owner
700 Cavanaugh Lane
Petaluma, CA 94952-1251
Phone: (707) 763-0921 Fax: (707) 763-4106
Products: A family farm producing organic eggs and egg products which are marketed on a regional basis only.
Certification: unknown
Founded: unknown

Primera Foods Corporation
612 South 8th St.
Cameron, WI 54822
Phone: (800) 365-2409 (customer service)
E-mail: sales@primerafoods.com
web site: www.primerafoods.com
The company was founded in 1986 as Primegg, focusing on conventional dried egg products. Since then, the company has expanded widely to include a range of products and services, with four egg-processing operations - a drying operation in Cameron, egg-breaking and separating facilities in Perham, Minn., and Stockton, Ill. and a blending facility in Barron, Wis. According to the Telegraph Herald of Dubuque, Primera processes more than 300,000 pounds of liquid eggs each day and ships more than 550,000 dozen eggs each week. The company also is affiliated with Creekwood Farms, an egg-laying and grading facility in Lake Mills, Wis., and recently acquired two food processors - Zumbro Foods in Hayfield, Minn., and IFP in Faribault, Minn. Along with Organic Valley, they are one of the largest suppliers of processed organic egg products in the country.

Products: Under the Primegg label, Primera offers spray-dried organic albumen, yolk, and whole egg powders; liquid organic whole eggs, whites, 10% salted yolks, 10% salted whole eggs, and 10% sugared yolks; frozen organic 10% salted yolks; as well as a wide

variety of conventional processed egg products. Primera also offers several non-egg ingredients under the Zumbro company name as well as custom processing and packaging services under the IFP company name.
Total 2001 Sales: $69,404,000
Employees: 270
Certification: QAI

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